

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal One)

Docket No. RM2017-5

PUBLIC REPRESENTATIVE COMMENTS  
(July 19, 2017)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 3959.<sup>1</sup> In that Order, the Commission established Docket No. RM2017-5 to receive comments from interested persons, including the undersigned Public Representative, that address the Postal Service's petition to change analytical principles related to periodic reporting.<sup>2</sup> The Postal Service filed its Petition pursuant to 39 C.F.R. § 3050.11. Petition at 1. On July 11, 2017, the Postal Service filed additional information in its Responses to two Chairman's Information Requests.<sup>3</sup>

II. SUMMARY OF PROPOSAL ONE

In Proposal One, the Postal Service "seeks authorization to change the methodology used for measuring revenue and pieces in the Revenue, Pieces, and

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal One), June 14, 2017 (Order No. 3959).

<sup>2</sup> Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), June 7, 2017 (Petition).

<sup>3</sup> Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 1, July 11, 2017 (Responses to CHIR No. 1); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 2, July 11, 2017 (Response to CHIR No. 2).

Weight (RPW) Report for insured, collect on delivery (COD), and registered extra services on domestic mailpieces bearing PC Postage indicia.”<sup>4</sup> *Id.* at 1.

Currently, to obtain RPW estimates for these extra services, the Postal Service utilizes the Origin-Destination Information System – Revenue, Pieces and Weight (ODIS-RPW) database in combination with several census data sources. *Id.* at 4. Proposal One seeks to replace ODIS-RPW statistical sampling estimates with the census transactional-level data provided by reports from Retail Data Mart (RDM). *Id.* at 5-6.

In Table A of the Petition, the Postal Service presents the impact of Proposal One on revenue and pieces for Insured, COD and registered extra services paid via PC Postage or postage meters. Petition at 7. See *also* Response to CHIR No. 2, file “ChIR.2.Q.1.Prop.One.Table.A.xlsx”. The Postal Service indicates that if Proposal One is approved, the shares of total volume for extra services that are determined using the ODIS-RPW statistical system will decrease substantially (from 5 to 0.3 percent for Insured mail, from 13 percent to 3 percent for COD, and from 11 to 1 percent for Registered mail, respectively). Responses to CHIR No. 1, Question 3.

### III. BACKGROUND

The RPW is the main source of input for Billing Determinants that are used by the Commission to determine compliance with 39 U.S.C. 3622 and 3633. ODIS-RPW is the primary probability sampling system, which has been traditionally used to assist the Postal Service in estimating revenue, pieces and weight for certain mail categories where the data is not available from the Postal Service’s revenue accounting system or postage statements.<sup>5</sup> RDM includes data and reports used for operational planning, sales, and marketing analysis for managers at multiple levels.<sup>6</sup>

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<sup>4</sup> Postage meters and PC Postage, collectively identified as “postage evidencing systems,” are able to print information-based indicia (IBI) that indicates postage payment. Petition at 4.

<sup>5</sup> See Docket No. R2006, USPS-T-3, Direct Testimony of Bradley V. Pafford of Behalf of the United States Postal Service, May 3, 2006 at 3-6. See *also* United States Postal Service Handbook F-75,

Currently, in RPW reporting, the Postal Service already relies on RDM for Click-N-Ship, PostalOne!, and Self Service Kiosk (SSK) data.<sup>7</sup> The Commission has previously encouraged the Postal Service to expand the use of census data for RPW reporting.<sup>8</sup>

#### IV. COMMENTS

The Public Representative finds that the proposed replacement of ODIS-RPW sampling estimates with RDM census data is reasonable. As a statistical sampling system, ODIS-RPW produces RPW estimates that are subject to the sampling error. Negative implications of the sampling error might be especially notable for mail products and services with low volumes. Thus, in its Responses to CHIR No. 1, the Postal Service indicates that ODIS-RPW “tends to produce an underestimate for very rare items.” Responses to CHIR No. 1, Question 1. In the FY 2016 Annual Compliance Determination (FY 2016 ACD), discussing COD’s failure to cover its attributable costs, the Commission recognized “the difficulty of generating accurate costs for products with low volume and the statistical variation in small sample size.” FY 2016 ACD at 62. In the instant docket, the Postal Service admits that ODIS-RPW includes a very small number of COD transactions compared “to the population of pieces,” and this prevents obtaining “better estimates of COD extra services” (even if improvements in ODIS-RPW sampling procedures are made). Response to CHIR No. 1, Question 2.

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Policies for Revenue, Volume, and Performance Measurement Systems, April 2015 (Handbook F-75), available in Docket No. ACR2016, USPS-FY16-46, March 1, 2017, file “FY.16.46.CHIR.20.Public.Files.zip,” folder “ChIR 20 Q 11.”

<sup>6</sup> See e.g., 2004 Comprehensive Statement on Postal Operations, at 49, <https://about.usps.com/strategic-planning/cs04/cs2004.pdf>

<sup>7</sup> See Docket No. RM2014-4, Order on Analytical Principles Used in Periodic Reporting (Proposals One through Two), June 25, 2014 at 1-6 (Order No. 2101); Docket No. RM2015-15, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Six), September 28, 2015 (Order No. 2732).

<sup>8</sup> See e.g. Docket No. RM2009-10, Order on Analytical Principles Used in Periodic Reporting (Proposal Three Through Nineteen), November 13, 2009 at 39 (Order No. 339).

As illustrated in Table A of the Petition, a replacement of ODIS-RPW estimates for revenue and pieces with census estimates reported in RDM results in a significant percentage change in both revenue and number of pieces for all extra services affected by Proposal One. Petition at 7. The highest impact of Proposal One on the reported revenue and number of pieces was observed for PC Postage and meters COD (1967 percent and 1305 percent, respectively.) *Id.* The Public Representative suggests that such a difference is a result of the inaccurate revenue and volume estimates currently obtained from ODIS-RPW. Inaccuracy of these estimates is caused by a very small COD sample size in ODIS-RPW – typically less than 20 pieces per quarter nationwide. Response to CHIR No. 1, Question 1-2.

The Public Representative agrees with the Postal Service that the replacement of sampling data with census data, especially for products/services with low volumes should result in more accurate RPW estimates. The Public Representative suggests that adoption of Proposal One will improve the RPW data quality. The adoption of Proposal One should also improve the accuracy of cost coverage numbers for Insured, COD and Registered Mail extra services, and potentially increase FY 2016 cost coverage for COD, as stated in the Petition. See Petition at 5. However, the impact of Proposal One on cost coverage of affected extra services is limited because cost estimates for products/services reported in Cost and Revenue Analysis (CRA) heavily rely on In-Office Cost System (IOCS), which is another “primary probability sampling system”, and is subject to sampling error.<sup>9</sup>

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<sup>9</sup> See United States Postal Service Handbook F-45, Data Collection User’s Guide for In-Office Cost System, October 2004 (Handbook F-45), [https://www.prc.gov/docs/63/63811/f45\\_handbook.pdf](https://www.prc.gov/docs/63/63811/f45_handbook.pdf). The Public Representative greatly supports the FY 2016 ACD Commission’s recommendation that the Postal Service include in its FY 2017 Annual Compliance Report the confidence interval for the COD product cost coverage. See FY 2016 ACD at 62. Considering that Proposal One might still have certain impact on coefficients of variance (CV) of IOCS-based cost estimates (as discussed in Responses to CHIR No. 1, Question 2), the Public Representative suggests that the Commission’s recommendations are expanded to other extra services affected by Proposal One.

V. CONCLUSION

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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